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ABSTRACT

This report examines the theoretical result of a change in the way Oklahoma could fund its common schools if it used a Texas tax system that relied heavily on an ad valorum tax structure or another taxation system. Using data from the 1999 school year, calculations of state aid for the more than 540 school districts were made for four scenarios: Oklahoma tax system without recapture, Oklahoma tax system with recapture, Texas system without recapture, and Texas system with recapture. Calculations were compared with one another of these scenarios for the 1999 school year. Results indicate that if there is a shift from state collection and dispersal of tax dollars for Oklahoma's common schools, a recapture mechanism could be used to maintain the level of fiscal neutrality that Oklahoma has enjoyed for the past several years. Recommendations include keeping the bulk of tax collections for schools at least at the present level of 60 percent from state sources, and examining how other tax structures would affect school funding. Attachment A shows student (statistical) weights used in calculations; Attachment B is a copy of the State Aid Formula used to calculate foundation and incentive aid for 1998-99. (Contains 23 references.) (RT)

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Funding of Oklahoma Common Schools with a Texas Tax Plan: A Cautionary Note

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July, 2001

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ABSTRACT

This reports exams the theoretical result of a change in the way Oklahoma could possibly fund their common schools if they were to employ a Texas tax system which would rely heavily on an ad valorum tax structure or other local tax means while removing a state income tax or a more heavy reliance on state collections and distribution of taxes.

Using data from SY-99, calculations of state aid for the 540+ districts and fiscal neutrality were made for four scenarios: 1) Oklahoma tax system without recapture, 2) Oklahoma tax system with recapture, 3) Texas tax system without recapture, and 4) Texas tax system with recapture. These calculations were compared to each other as well as the Texas plan without recapture to the results of the actual fiscal neutrality calculations for Oklahoma for SY-89 thru SY-99.

The results indicated that if there is a shift from state collections and dispersal of tax dollars for Oklahoma's common schools, a recapture mechanism could be used to maintain the level of fiscal neutrality which Oklahoma has enjoyed for the past several years.

Table of Contents

Introduction 4

Definition of Terms 4

Current Situation 5

Problem Statement 6

Hypotheses 7

The Oklahoma Formula 7

Methodology 9

Data Collections 9

Assumptions and Limitations 10

Statistical Methods 10

Hypotheses 11

Process 11

Hypotheses Testing 12

The Findings 14

Conclusions 14

Recommendations 15

Bibliography 16

Attachment A : Student Weights 18

Attachment B : State Aid Formula 19

Funding of Oklahoma Common Schools with a Texas Tax Plan: A Cautionary Note

Introduction

For many years many people in Oklahoma have looked at Texas and their plan of taxation. The idea of no income tax and no sales tax on groceries is catchy. Whether fact or fiction, many Oklahomans notice better roads when they cross into Texas. The question seems to be – How can Texas do this with their present tax system?

Five potential answers can be found in the study that was completed by professors from the University of Oklahoma and Oklahoma State University. Three of the five scenarios called for increases in property taxes of at least 50% and one would require property taxes to triple (Ervin, June 24, 2001). While the political leaders of the state legislature and the governor maintain that they are not for increases in property taxes, the issue is not resolved at this time (Ervin, June 23, 2001). Time will tell if Oklahoma will adopt some type of a Texas tax scheme and the components that will be included.

The purpose of this paper is not to get into an in-depth discussion of the Texas tax plan nor to do a comparison of the two tax structures. I leave that to others. My purpose is to look at what the major impact will be to the funding of the common schools of Oklahoma under a Texas Tax plan, or any other plan, that would shift a major part of the tax burden from state collections to local collections.

This task will be accomplished by looking at the Oklahoma funding formula, how it works, its theoretical level of fiscal neutrality, and some things that can be done to maintain the level of equity the funding formula provides if there is a major shift from state to local funding.

Definition of Terms

Fiscal neutrality: The wealth of the state, as a whole, must be behind every student (Monk, 1990). Such a situation occurs when there is little or no correlation between the ability of a district to raise revenue for education and the total amount of revenue raised from all sources. For this study, two measures of fiscal neutrality will be used.

First, fiscal neutrality will be defined as an inverse relationship between district wealth and the amount of money that can be appropriated by the state to fund a district's educational program. A perfect inverse relationship would be a correlation of a negative one (–1) which means that the state sends more money to the poorer districts than the rich districts based upon the ability of a district to support its public schools.

Second, fiscal neutrality will be defined as the difference in total generated state dollar amounts per pupil between the highest and lowest funded districts after the top 10% and the bottom 10% of the districts have been removed from a rank ordered list of districts based on dollar amounts per pupil.

Per-pupil revenue: The total dollars available divided by the Weighted Average Daily Attendance of a school district.

ADA or *Average Daily Attendance*: The total number of days attended by all students divided by the number of school days in a year.

WADM or *Weighted Average Daily Membership*: Weights given to students whose special circumstances require greater number of dollars to educate as well as weights given to districts based on specific criteria that requires a district to expend more money to operate its educational program. (See attachment A)

District Wealth: The total net assessed valuation of a school district per WADM.

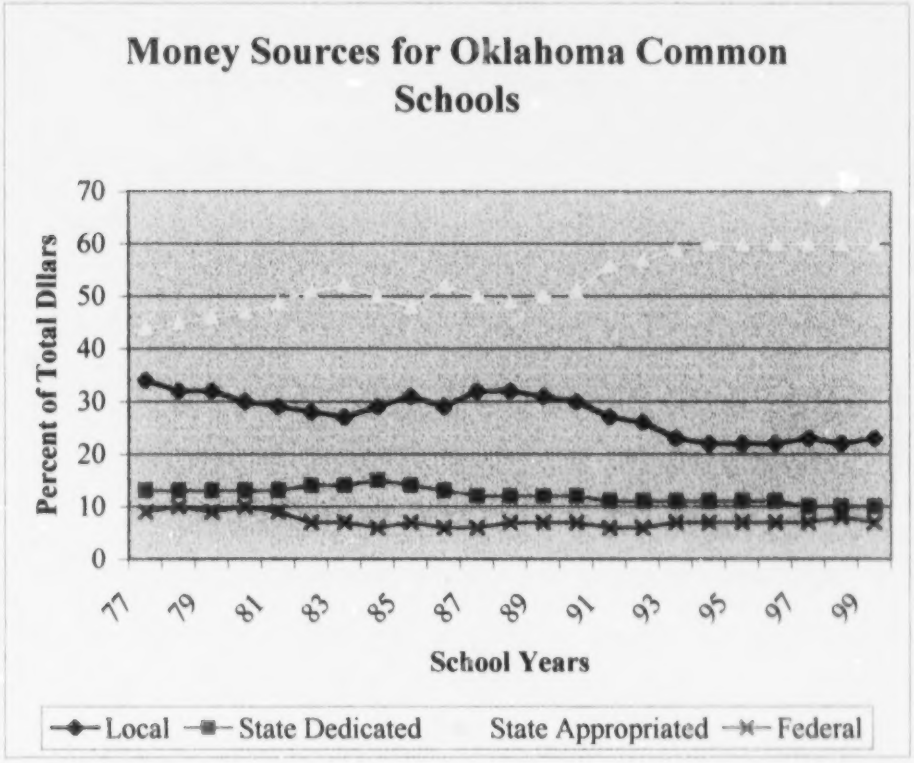
Recapture: A method used in school funding formulas that creates negative state aid (Monk, 1990, p. 199). This provision requires districts whose local revenue is more than necessary to send the excess to the state for redistribution to other districts, otherwise the district receives no state aid and keeps the excess for their own district.

Current Situation

For various reasons, many Oklahoman's like what they see in the Texas Tax System as previously stated. On the surface, Texans seemed to have a lower tax burden than do Oklahomans. State Senator Stratton Taylor from Claremore purposed changing Oklahoma to the Texas plan (Ervin, March 27, 2001). A study of changing Oklahoma to the Texas system has been completed by the state's two major universities. In all the discussion thus far, not much if any, has been spoken about what the effect, of such a move, would have on the state's common schools as to how they are funded. Even though more than half of Oklahoma's annual budget goes to common schools, no one seems to be dealing with the impact that Oklahoma's schools will face with such a move. While the proposed tax modification plan is to be tax neutral, the majority of the tax collections could go from state to local sources if there is an increase of the ad valorum tax rate or an increase in other locally collected and distributed taxes. This becomes problematic to the funding of Oklahoma schools.

If the income tax is repealed in Oklahoma, this amount of revenue will have to be found from other sources. One of the major revenue sources in Texas is from property taxes. Thus, there may have to be a switch from state to local sources. Oklahomans seemed to have a distaste for ad valorum as a source of revenue as seen in an attempt to pass SQ-669 which would have rolled back ad valorum taxes to 1993 levels and would have limited the amount of money that could be generated from property taxes (Cooper, March, 1996). While SQ-669 failed in March of 1996, three state questions, 675-7, were passed in November of 1996 which placed restrictions on the state's property tax system (Krehbiel, 1996).

Historically, the state of Oklahoma has had a gradual and continuous move from local to state support for public education that has reached a plateau and has been steady for the past six to seven years. The following graphic shows a decline in local revenues while there has been an increase in state appropriations for the schools for the preceding twenty-three (23) years.



Problem Statement

If Oklahoma adopts the present Texas Tax system, which could greatly increase property taxes, most monies for schools would be generated locally. The impact on the funding formula would be that many school districts in the state would not receive any state funding whatsoever because their districts would generate more than enough money to meet the foundational levels. Thus, the ad valorum wealth of a school district would unbalance the scales of fiscal neutrality and the state would not provide an opportunity of an equal education for all their school children.

Within the confines of the present system, the systematic move has been for the state to collect revenue through out the state from a multitude of sources. This money has been collected by a central agency and distributed by a central agency through out the state to the various school districts. The locally generated property taxes were kept in-house and subtracted from the foundation level, thus providing a semblance of equity.

However, this plan would provide more than an equitable share for many school districts without a method to share the excess with the less ad valorum wealthy districts and would in turn create an inequitable system or at least a lowering of the level of fiscal neutrality the state has enjoyed for many years.

Hypotheses

1) The present funding formula in Oklahoma is a fiscal neutral formula without recapture regardless of the tax system.

2) A recapture mechanism in the Oklahoma funding formula would provide continued high levels of fiscal neutrality even with a shift of the majority of funding coming from local instead of from the state.

3) The present Oklahoma funding formula under the Texas tax system would provide the same level of fiscal neutrality with or without the employment of a recapture mechanism.

4) The level of equity that the Texas plan without recapture can provide would be the same level of equity that has been experienced during the past several years in Oklahoma.

The Oklahoma Formula

The formula that is being used today, with a few minor adjustments, was adopted by the state legislature in 1981 in HB 1236. It is divided into two main sections: Foundation Aid and Salary Incentive Aid. The third portion of the formula deals with transportation and is thought to be equitable to the districts based upon a districts obligation with regards to the number of students being transported and the area of a district's transportation boundary.

The intent of the legislature in 1981 was "to provide an equitable funding formula [that would] guarantee an adequate and equitable educational program" (p. 1233) for the children in Oklahoma while the Oklahoma Constitution only requires the legislature to "establish and maintain a system of free public schools wherein all the children of the State may be educated." (Section XIII-1) (A copy of the SY-99 funding formula is attached. See attachment B)

In a 1980 preview study of this funding formula, Owens concluded that the basic formula that is used today would provide greater equity than the previous formula.

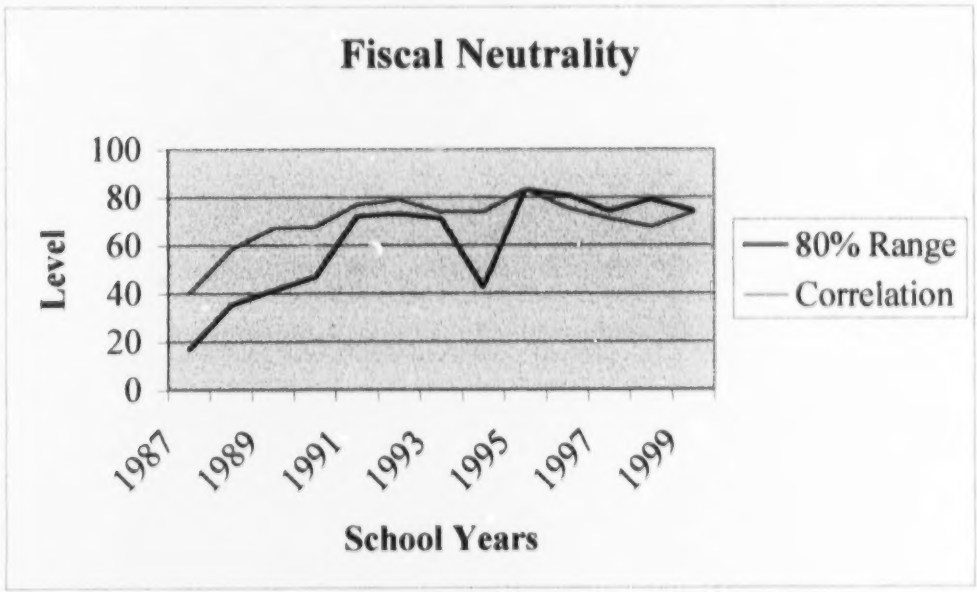
In 1983, the state legislature requested a study be done by Augenblick and McGuire to assess and suggest modifications for the state school finance system as established in HB 1236. They assumed that revenue per-weighted-pupil should be similar across districts and the relationship between district wealth and per-pupil revenue should be low. They concluded that the new system was an improvement over the previous formula.

In 1990, another study was done to measure the equity of the present system over an eight (8) year period (Hancock). Prior to HB 1017, many school districts were petitioning the legislature for a more equitable funding mechanism and one group brought suit against the state for inequitable treatment. According to Hancock, a more equitable manner of funding would be to eliminate the Salary Incentive Aid section and only use the Foundation Aid section. However, with the passage of HB 1017, more than $200 million dollars were added to fund the public schools of Oklahoma. With the new money and the legislature putting most of the common school allotment into the formula, the formula was allowed to work and provided greater equity. Thus, the lawsuit was dropped and the urgent need for a change in the formula was satisfied.

In an on-going process of keeping track of the fiscal neutrality of Oklahoma, Hancock has continued to collect data from the state and to calculate the level of equity that the state of Oklahoma provides to the common schools. The following chart shows the results of these studies.

SY	$ / WADM	Restricted Range	Total Range	r	z*	Standard Error
87	1897	873	8,434	-0.401	-0.425	0.040
88	1936	687	7,959	-0.583	-0.667	0.041
89	2037	627	3,970	-0.670	-0.810	0.041
90	2120	572	4,251	-.0676	-0.822	0.041
91	2182	320	3,242	-.0769	-1.018	0.042
92	2344	309	3,983	-.0790	-1.074	0.042
93	2370	330	3,669	-0.739	-0.949	0.043
94	2455	613	11,745	-0.738	-0.947	0.043
95	2460	209	2,402	-0.834	-1.201	0.043
96	2511	230	6,654	-0.755	-0.985	0.043
97	2607	298	6,864	-0.710	-0.887	0.043
98	2634	248	9,970	-0.676	-0.822	0.043
99	2785	298	9,918	-0.737	-0.944	0.043

The fiscal neutrality in each of these years is importantly greater than zero (0), or no relationship between district wealth and state aid, when measured at the .01 level. Thus, in each of these years, the funding formula was distributing state aid in an equitable manner. However, as the chart demonstrates, as time progressed, the equity level increased and has stayed somewhat steady from SY-91 through SY-99 with one exception, SY-94. The following graph illustrates this.



Methodology

This study is a simulation of how well the Oklahoma funding formula provides fiscal neutrality. It is divided into two parts. The first part looks at the ability of the funding formula to provide fiscal neutrality in the present tax system. The second part looks at the ability of the funding formula to provide fiscal neutrality with a reversal of money amounts from state and local sources as would be more likely to be found under the Texas system. In each part, the simulation is done with and without a recapture mechanism.

Data Collections

The data used for this simulation is from the Annual Report published by the Oklahoma State Department of Education for SY-1999. The data collected were 1) Total net valuation, 2) ADA, 3) WADM, 4) State dedicated funds.

Other data needed for the simulation included: district wealth per pupil, 4 mill county levy, state appropriated aid for district, state appropriated aid per pupil, the Foundation Aid Factor, and the Incentive Aid Guarantee.

The district wealth per pupil was determined by dividing the WADM of a district by its total net valuation.

The 4 mill county levy was a simulation calculation. A calculation of the possible levy was made following the same rules that govern the 4 mill county levy. This levy is a flat grant awarded to each district in a county. It is determined by dividing the sum of the total net valuation of a county by the sum of the county's ADA times the ADA of a district. This calculation was made for each district in the state.

A simulated state appropriated aid was calculated for each district in the state. The procedure followed the rules of the state aid formula.

The state appropriated aid per pupil for each district was determined by dividing the simulated state aid for a district by the WADM of that district.

Four calculations of a simulated Foundation Aid Factor and a simulated Incentive Aid Guarantee were made: Oklahoma system without recapture, Oklahoma system with recapture, Texas system without recapture, and Texas system with recapture. These calculations were accomplished by calculating the formula on a state-wide basis as if the state was one district. The state totals were applied to WADM, total net valuation, 4 mill county levy, and state dedicated funds. Three sevenths (3/7) of the money was used in the Foundation Aid section and four sevenths (4/7) was designated for the Salary Incentive Aid section. The total state appropriated dollars for SY-99 were used for this simulation and no calculations for transportation were made.

For the Oklahoma system, the following formula was followed to determine the Foundation Aid Factor (FL) and the Incentive Aid Guarantee (IAG):

$$FL = [(AV * 0.015) + (4ML * .75) + SD + SA] / WADM$$

$$IAG = [(SA / 20) + (AV / 1000)] / WADM$$

Where AV = Ad Valorum
4ML = 4 Mill County Levy
SD = State Dedicated Funds
SA = State Appropriated Funds, 3/7 for FL and 4/7 for IAG
WADM = Weighted Average Daily Attendance

For the Texas system, the 0.015 was replaced with 0.05001 and 20 was replaced with 66.69. Thus, the formula was:

$$FL = [(AV * 0.05001) + (4ML * .75) + SD + SA] / WADM$$

$$IAG = [(SA / 66.69) + (AV / 1000)] / WADM$$

The intent of this study was to reverse the amount of the monies generated locally and from the state. In order to do this, the tax rates at the local level had to be raised to a point that it would generate the amount of money that was appropriated by the state of Oklahoma for SY-99. In order to do that, and to keep it consistent with the present formula, the entire tax rate had to be raised from 35 mills to 116.7 mills. (This is an increase of more than three (3) times.) Then, 3/7 of the millage (50.01mills) was placed in the Foundation Aid section and 4/7 of the millage (66.69 mills) was placed in the Salary Incentive Aid section.

Assumptions and Limitations

The intent of this study is to look at the *theoretical* ability of the state funding formula under the two state tax systems. The mere fact that it is a "theoretical" look provides the basic limitation of the study. In practice, there are many circumstances that come into play as to how the formula and fiscal neutrality will be affected. A causal look at the levels of equity reveals that the theoretical out performed the actual. This action provides the conclusion that the actual level of equity will be lower. Reality will be present when either system is in place. However, the assumption is that the study does provide insight into how the formula works regardless of the data that is provided from either state plan.

Statistical Methods

Two statistical views of fiscal neutrality were used in this study: a Pearson r correlation between district wealth and simulated state appropriations and a restricted range measure of the middle 80% of the school districts as to their simulated state appropriation per pupil. Both of these are acceptable equitable measures (Berne and Stiefel, 1984).

Further, the r_{xy}, correlation coefficient, was changed to a Fisher's z (z^*) statistic using the formula $Z = \frac{1}{2} [\log e (1+r) - \log e(1-r)]$ (Edwards, 1954). This change was made to prepare data for a test of importance of r's at the .01 level of importance.

A test of significance is not required for this study. According to Horowitz (1974), a test of significance is used with samples as a means of drawing inferences about the total population. In this study, the entire population was included. Thus, any differences are significant. However, a

transformed r-to-z (Fisher's z) has been used to determine if any differences are important which will give strength to the findings of this study in the area of fiscal neutrality.

Hypotheses

1) The present funding formula in Oklahoma is a fiscal neutral formula without recapture regardless of the tax system.

Ho1: There is no relationship between district wealth per pupil and simulated state appropriated funds per pupil without recapture under the present Oklahoma tax system or the Texas tax system.

Ho1.1 $r_{OK\ w/o\ recap} = 0$

Ho1.2 $r_{TX\ w/o\ recap} = 0$

2) A recapture mechanism in the Oklahoma funding formula would provide continued high levels of fiscal neutrality even with a shift of the majority of funding coming from local instead of from the state.

Ho2: There is no relationship between district wealth per pupil and simulated state appropriated funds per pupil with recapture under the present Oklahoma tax system or the Texas tax system.

Ho1.1 $r_{OK\ w/\ recap} = 0$

Ho1.2 $r_{TX\ w/\ recap} = 0$

3) The present Oklahoma funding formula under the Texas tax system would provide the same level of fiscal neutrality with or without the employment of a recapture mechanism.

Ho:3.1 $r_{TX\ w/\ recap} = r_{TX\ w/o\ recap}$

4) The level of equity that the Texas plan without recapture can provide would be the same level of equity that has been experienced during the past several years in Oklahoma.

Ho: 4.1 $r_{OK\text{-}SY\text{-}91} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}92} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}93} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}94} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}95} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}96} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}97} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}98} = r_{TX\ w/o\ recap}$

Ho: 4.1 $r_{OK\text{-}SY\text{-}99} = r_{TX\ w/o\ recap}$

Process

The first step was to create a spreadsheet with all the required data from all the state school districts: Net Assessed Valuation, WADM, and State Dedicated Funds. Added to this data was the creation of a simulated 4 Mill County Levy for each district.

The second step was to determine the Foundation Aid and Incentive Guarantee factors and use them in the calculation of a simulated state aid for each district for each of the four scenarios.

The difficulty of this task was found in the non-recapture scenarios. Each district that had a negative simulated state aid was zeroed out. Thus, the amount of money for redistribution to the poorer ad valorum per pupil school districts was increased in amount. The Texas tax system required seven (7) recalculations until nearly all the available dollars were placed into the system and all school districts that had negative state aid were zeroed.

Once the simulated state aid was determined for each scenario, the calculations of District Wealth per pupil and Simulated state aid per pupil were performed. This provided the necessary data to calculate a Pearson r for each scenario.

Included in the spread sheet was a calculation of total dollars from all state sources per pupil for each district. The data was sorted in descending order, thus providing a rank order of each district according to their total dollars per student.

The top 10% total dollars per student districts and the bottom 10% total dollars per student districts were eliminated from the restricted range measure. The total number of districts for SY-99 was 544. Thus, a comparison of the amounts of rank order district numbers 55 and 490 was done and the difference was recorded.

Hypotheses Testing

A Pearson r correlation was calculated for each of the scenarios: Oklahoma without recapture, Oklahoma with recapture, Texas without recapture, and Texas with recapture. The following chart gives the results of these calculations as they are compared to a Pearson r correlation equal to zero (0).

Recapture	r	z*	St Error	Z	80% Restricted Range	Total Range
OK w/o	-0.778	-1.040	0.043	-24.19*	13	6,934
OK w/	-0.967	-2.038	0.043	-47.40*	13	33
TX w/o	-0.555	-0.626	0.043	-14.56*	860	28,054
TX w/	-0.997	-3.182	0.043	-74.00*	13	33

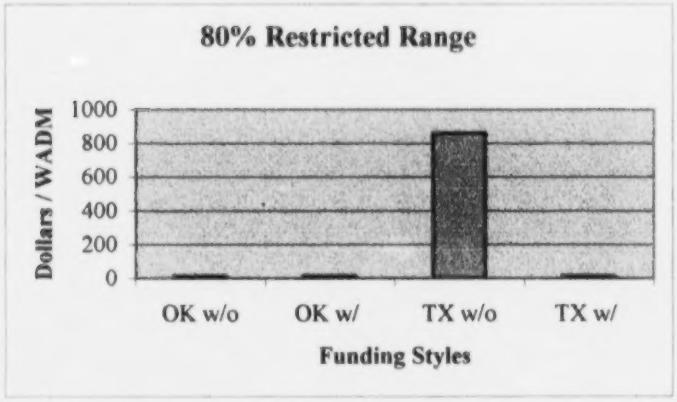
(*, $p < .01$)

The results indicates that all of the null hypotheses are to be rejected. There is a negative relationship between district wealth and simulated state appropriated funds in each of the four (4) simulations, even the Texas tax system without recapture.

Further, note the effect that each of the plans had on the restricted (80%) of the school districts and the total range of dollars per student. It is clear that there can be a major discrepancy in the equity of funding of the Texas plan, if recapture is not employed in the formula. Each of the other simulations were virtually equal in their ability to produce fiscal neutrality.

While the total range difference is nearly mind boggling, the one district that had the greatest dollar amount per child had less than 35 students and the next nearest district of dollars per WADM was around $20,000 less per student.

The following chart demonstrates this information.



The same Pearson r correlations that were previously calculated for the Texas tax plan with and without recapture were used to compare each scenario as to differences. The following chart gives the results.

Texas with Recapture		Texas without Recapture				
r	z*	r	z*	Difference	St Error	Z
-.0997	-3.182	-0.555	-0.626	-2.556	0.061	41.90*

(*, $p < .01$)

Again, the results indicate that the null hypothesis is to be rejected. There is a difference in the ability of the Oklahoma funding formula to produce fiscal neutrality when using a recapture mechanism.

The following chart provides a comparison of the levels of equity (Pearson r) between the simulated Texas plan without recapture and the level of actual equity that has been experienced from SY-91 to SY-99. The importance differences are noted.

	Actual Level of Equity			Simulated Texas w/o Recapture					
SY	N	r	z*	N	r	z*	Diff	St Err	Z
91	578	-0.769	-1.018	544	-0.555	-0.626	-0.392	0.060	-6.54*
92	569	-0.790	-1.074	544	-0.555	-0.626	-0.448	0.061	-7.45*
93	554	-0.739	-0.949	544	-0.555	-0.626	-0.323	0.061	-5.34*
94	551	-0.738	-0.947	544	-0.555	-0.626	-0.321	0.061	-5.30*
95	550	-0.834	-1.201	544	-0.555	-0.626	-0.575	0.061	-9.48*
96	549	-0.755	-0.985	544	-0.555	-0.626	-0.359	0.061	-5.92*
97	548	-0.710	-0.887	544	-0.555	-0.626	-0.261	0.061	-4.30*
98	547	-0.676	-0.822	544	-0.555	-0.626	-0.196	0.061	-3.23*
99	544	-0.737	-0.944	544	-0.555	-0.626	-0.318	0.061	-5.23*

(*, $p < .01$)

The results indicate that the null hypotheses are to be rejected. There is a difference between the levels of fiscal neutrality that were actually achieved and the simulation of the Texas plan without recapture. In each case, the actual levels of equity were higher and out performed the simulation. Thus, the Texas plan without recapture would lower the levels of equity the Oklahoma funding formula could produce.

The Findings

1. The Oklahoma funding formula is capable of providing fiscal neutrality.
2. A Texas tax plan or any tax plan that would rely on more local support than state support would have an adverse affect on the fiscal neutrality the Oklahoma funding formula can provide.
3. The Oklahoma funding formula with a recapture mechanism is capable of providing fiscal neutrality regardless of the source from which funding is provided.

Conclusions

The theoretical underpinnings of the Oklahoma funding formula are capable of providing an equitable method for the distribution of tax dollars across the state in a fiscal neutral manner. In the event of a major shift in tax collections from a state source to a local source, the ability of the funding formula to provide fiscal neutrality will be reduced. One of two things would have to be required in order to allow the formula to provide equity. This study looked at *Recapture*. Recapture would allow the formula to provide the type of equity that was intended by the formula's designers. The other thing that would provide a high level of equity would be to create a Full State Funding formula in which all moneys would be collected and distributed by the state.

Given the actual performance of the funding formula compared to its ability, it is predictable that to exclude some type of recapture, if there is a major shift in funding sources, would move the state from providing some level of fiscal neutrality to either a situation where there is no relationship between the ability of a district and state funding or to where the relationship would become a positive relationship. In other words, ad valorum rich districts would be able to keep all of their money and thus be able to have more money per student than the rest of the districts in the state. This would mean that the opportunity of an education would be dependent on where a child lives in the state. The rich would have a greater opportunity of being educated than the poor.

While this study did not look specifically at the funding coming from the State Dedicated sources, these sources will have the same effect on a school district as a local source. The amounts are charged against the districts as are local dollar amounts. If these amounts become greater than the state appropriations, will they be taken from the district and distributed across the state? That is the essential question that has to be answered with any new manner of tax collections that would shift the collections from state sources to any type of local source including State Dedicated or ad valorum.

Recommendations

1. Keep the bulk of tax collections for schools at least at the present level of 60% from state sources, or implement a recapture provision for the distribution of excessive local ability.

2. Create a provision for recapture for the present tax structure and school funding formula in order to insure continued fiscal neutrality regardless of future funding situations or tax plans.

3. Look at how we fund capital improvements in the Oklahoma School districts. The same ad valorum ability of a local school district to fund their basic educational programs is the same source for them to meet their capital improvement needs. The school districts in this state are not equal when it comes to providing housing to all of the state's children. This issue needs to be addressed so that every child has an opportunity to have adequate school housing.

4. With more than 60% of the state tax dollars going for the support of common education in Oklahoma, it would seem prudent to look at how any type of new tax structure would affect this area.

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Attachment A

GRADE LEVEL	WEIGHT
a. Half-day early childhood programs	.7
b. Full-day early childhood programs	1.3
c. Kindergarten	1.3
d. First and second grade	1.351
e. Third grade	1.051
f. Fourth through sixth grade	1.0
g. Seventh through twelfth grade	1.2
h. Out-of-home placement	1.50

CATEGORY	WEIGHT
a. Vision Impaired	3.8
b. Learning Disabilities	.4
c. Deaf or Hard-of-Hearing	2.9
d. Deaf and Blind	3.8
e. Educable Mentally Handicapped	1.3
f. Emotionally Disturbed	2.5
g. Gifted	.34
h. Multiple Handicapped	2.4
i. Physically Handicapped	1.2
j. Speech Impaired	.05
k. Trainable Mentally Handicapped	1.3
l. Bilingual	.25
m. Special Education Summer Program	1.2
n. Economically Disadvantaged	.25
o. Optional Extended School Year Program	As determined by the State Board of Education

Attachment B

Financial Services Division
State Aid Formula Used to Calculate Foundation and Salary Incentive Aid 1998-99

The following is the formula, as provided by law, used in the calculation of Foundation and Salary Incentive Aid. It reflects the correct amounts and factors used during the 1998-99 school year.

FOUNDATION AID

1. Weighted ADM _____ x Foundation Aid Factor 1,239.00 = $ _____

SUBTRACT CHARGEABLE INCOME

(Valuations: Up to 11% - Down to 11%)

1998 Net Assessed Valuation
2. Adjusted Valuation x 15 Mills: _____ x 0.015* = $ _____
*plus increased millage due to personal property tax adjustment

(1997-98 Collections of:)
3. 75% of County 4 Mill: _____ x 0.75 = $ _____
4. School Land = $ _____
5. Gross Production = $ _____
6. Motor Vehicle = $ _____
7. R.E.A. Tax = $ _____
8. Total Chargeables (Lines 2-7) = $ _____
9. FOUNDATION AID (Line 1 Total minus Line 8) (Zero if Less Than Zero) = $ _____

TRANSPORTATION SUPPLEMENT

(Average Daily Haul x Per Capita x Transportation Factor)

_____ x _____ x 1.39 = $ _____
ADH Per Capita Transp. Factor

SALARY INCENTIVE AID

1. 59.93 Incentive Aid Guarantee x _____ = $ _____
(Weighted ADM)
2. _____ Adjusted District Assessed Valuation / 1000 = $ _____
3. Step 1 (minus) Step 2 = $ _____
4. Step 3 x 20 Mills = SALARY INCENTIVE AID = $ _____
5. Foundation Aid plus Transportation Supplement plus Salary Incentive Aid = BASIC FORMULA = $ _____
6. SUPPLEMENT = $ _____
7. BASIC STATE AID = Basic Formula (Line 5) plus Supplement (Line 6) = $ _____
8. Adjustments Due to Additions and Reductions = $ _____

TOTAL STATE AID (Line 7 plus Line 8) = $ _____